



# 2018 Economic Outlook & Revenue Overview

Prepared for the Salt Lake County Council and Mayor

October 10, 2017

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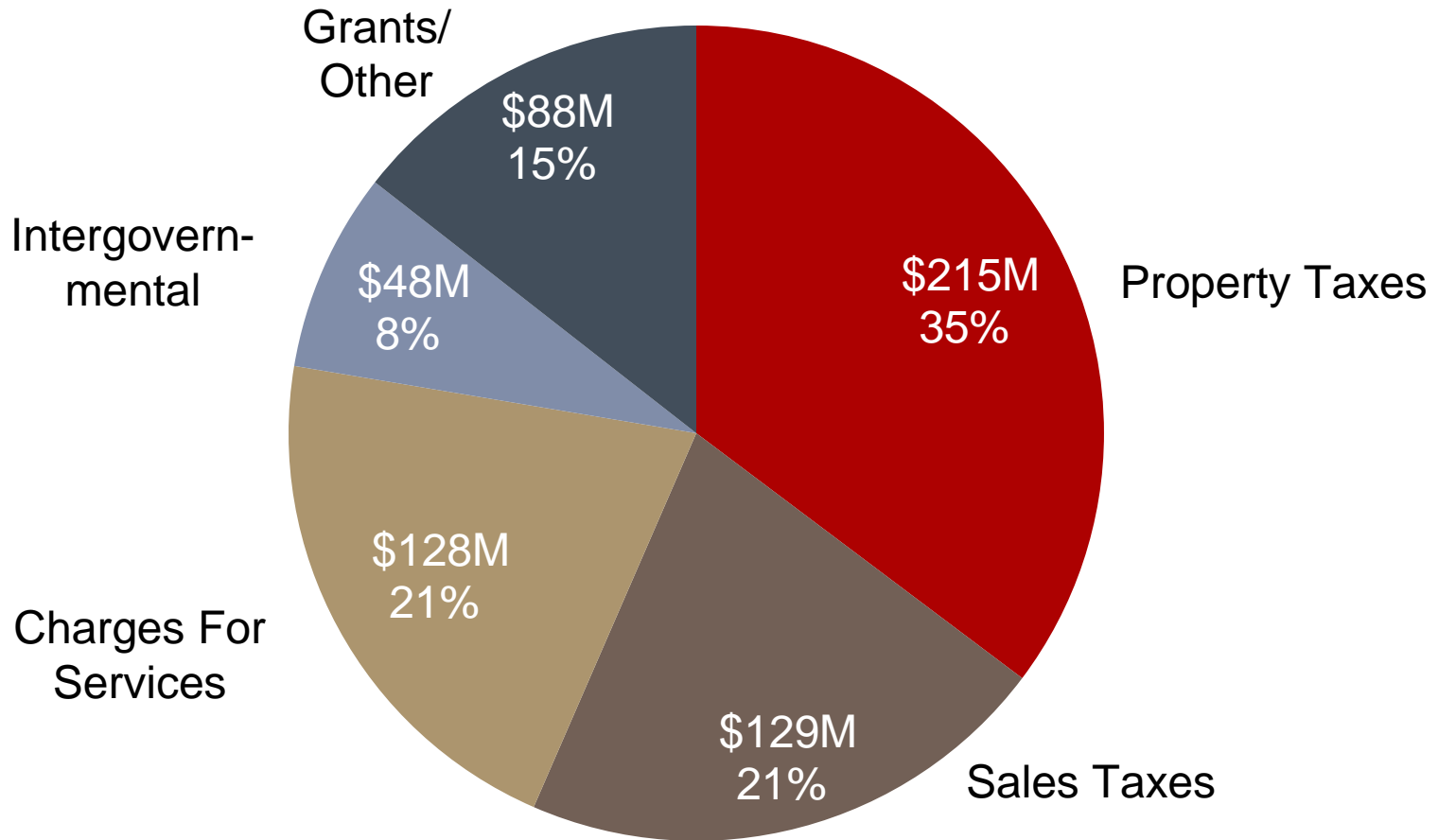
# Agenda

- Overview
- Economic Indicators
- Property Tax Projection
- Sales Tax Projection
- Other Revenues



# General Fund & Related Funds 2018 Projected Revenues

**\$608M Total**





# 2018 Property Tax Revenue

- Projected new growth for 2018
  - Reviewed permit authorized construction trends for residential and non-residential properties
  - Consulted with the District Attorney's Office about centrally-assessed property values
  - Incorporated new legislation in the calculations
  - Projection vetted with Revenue Committee



# 2018 Sales Tax Revenue

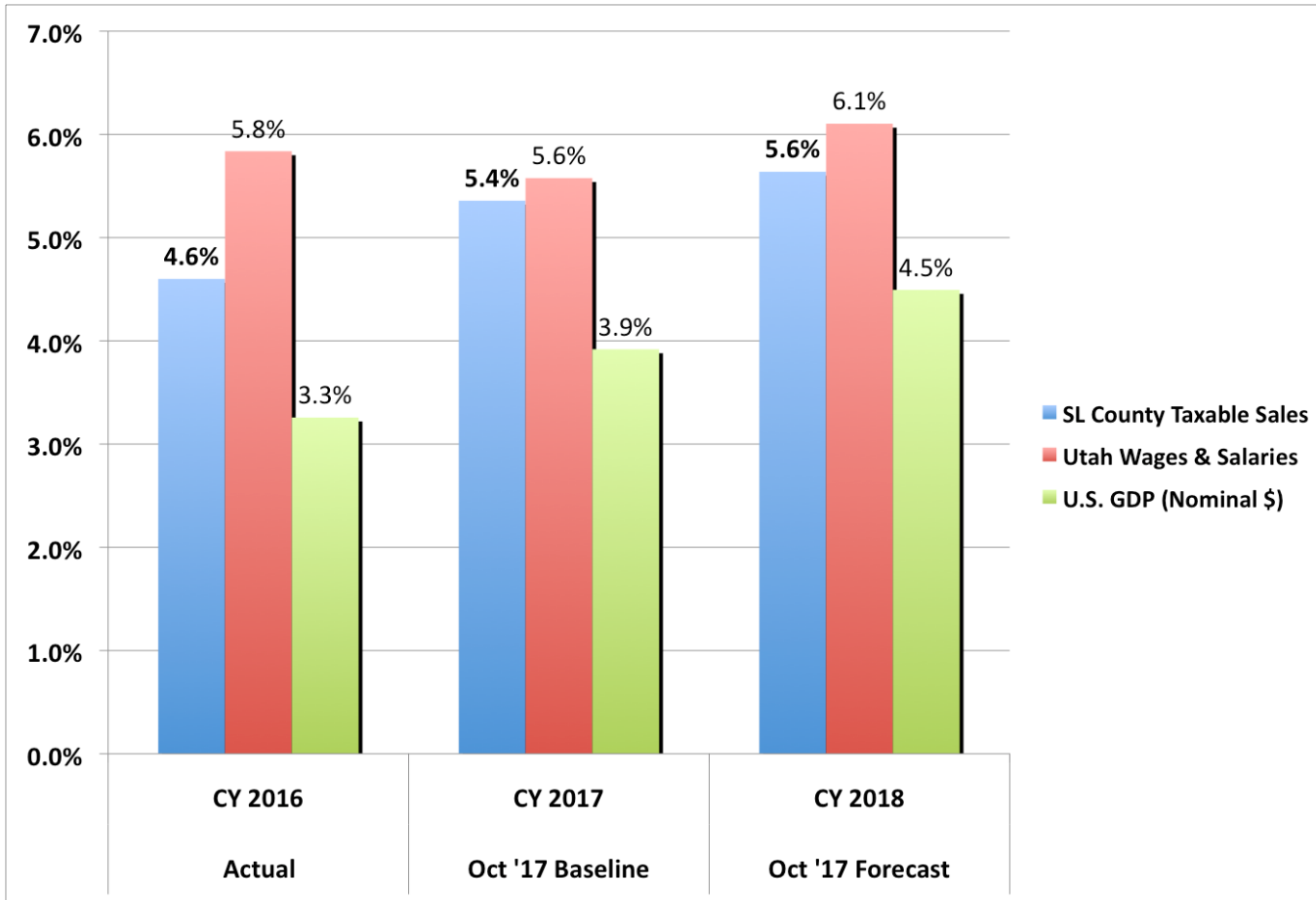
- Projected new growth for 2018 based on local and national economic indicators, including
  - Wage and employment growth
  - Consumer Confidence
  - Vehicle sales and other leading indicators
- Projections vetted with Revenue Committee



# Economic Indicators



# Taxable Sales Improve As We Move Through 2017





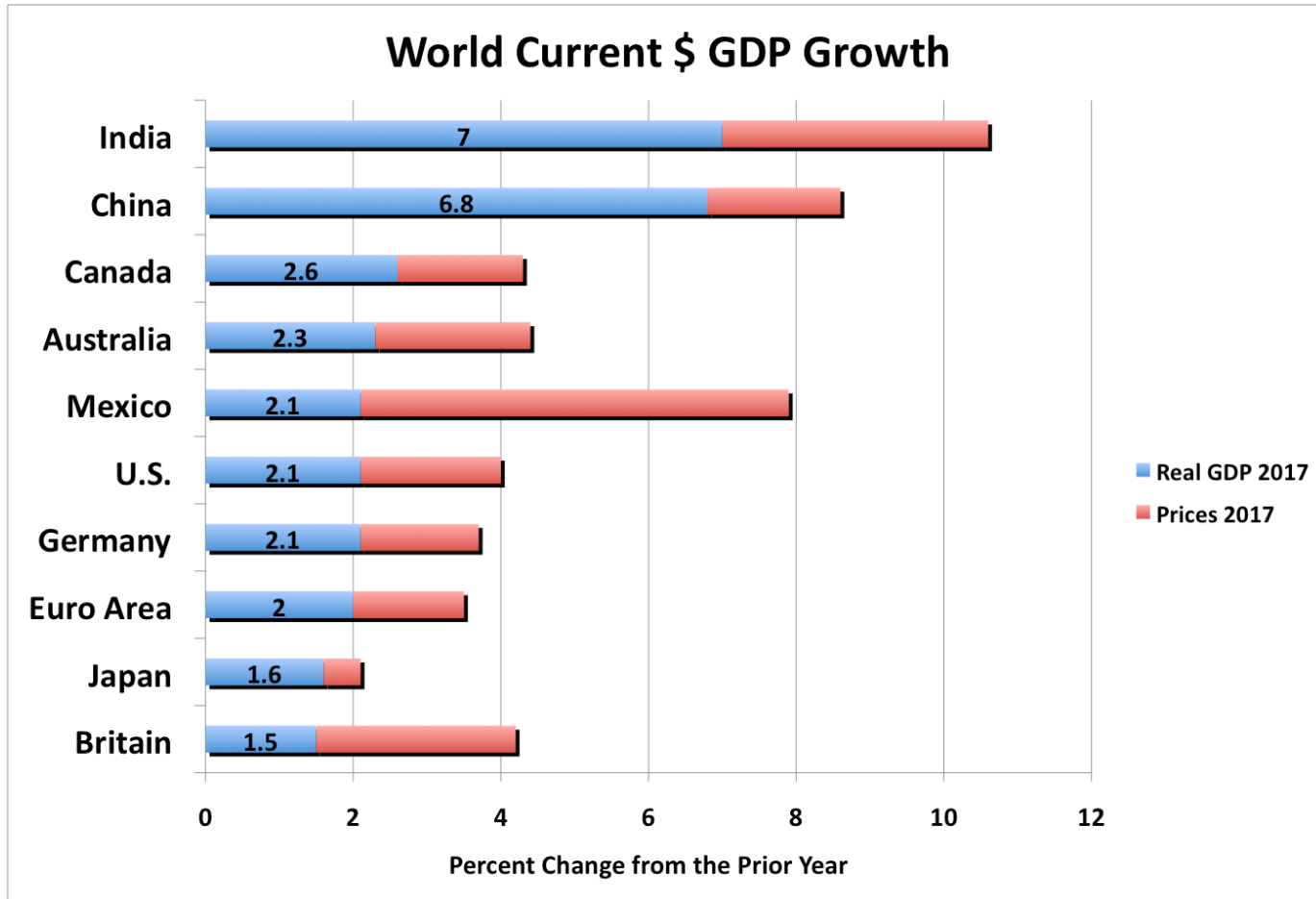
# The World







# U.S. Real Growth and Prices Slip



Source: The Economist, Sept. 23, 2017



# The Nation



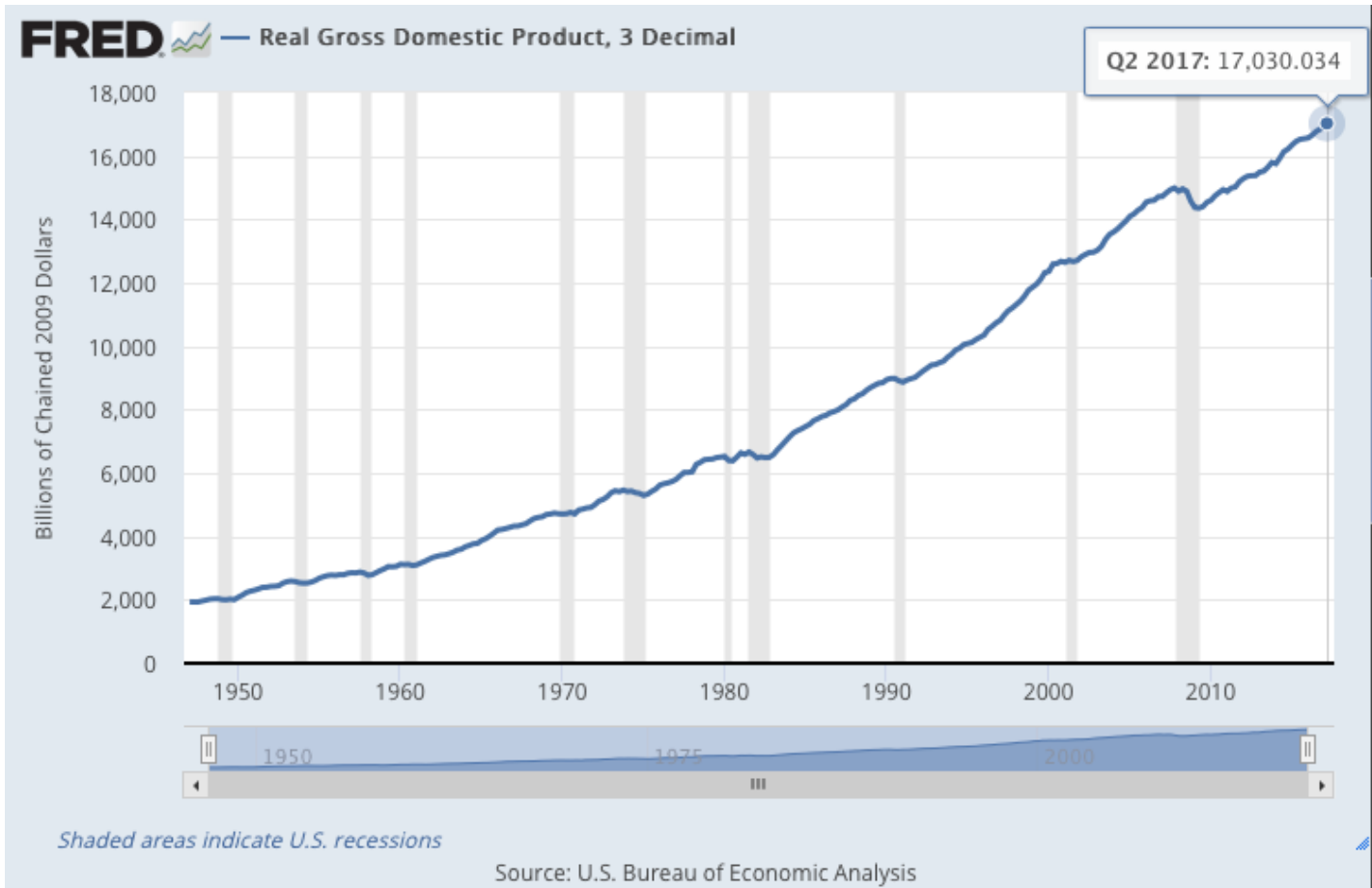


## 2018 U.S. growth will improve to 2.8%

- The U.S. is **still** doing better than most -- **principle driver of growth is domestic demand**
- Prospects for consumer spending (domestic demand, roughly 70% of GDP, growing 2.7%) **still look bright**, thanks to **solid jobs and income growth, lower energy prices, and relatively low interest rates, booming stock market, high home prices**
- **Capital spending will improve 4.6% in 2018**

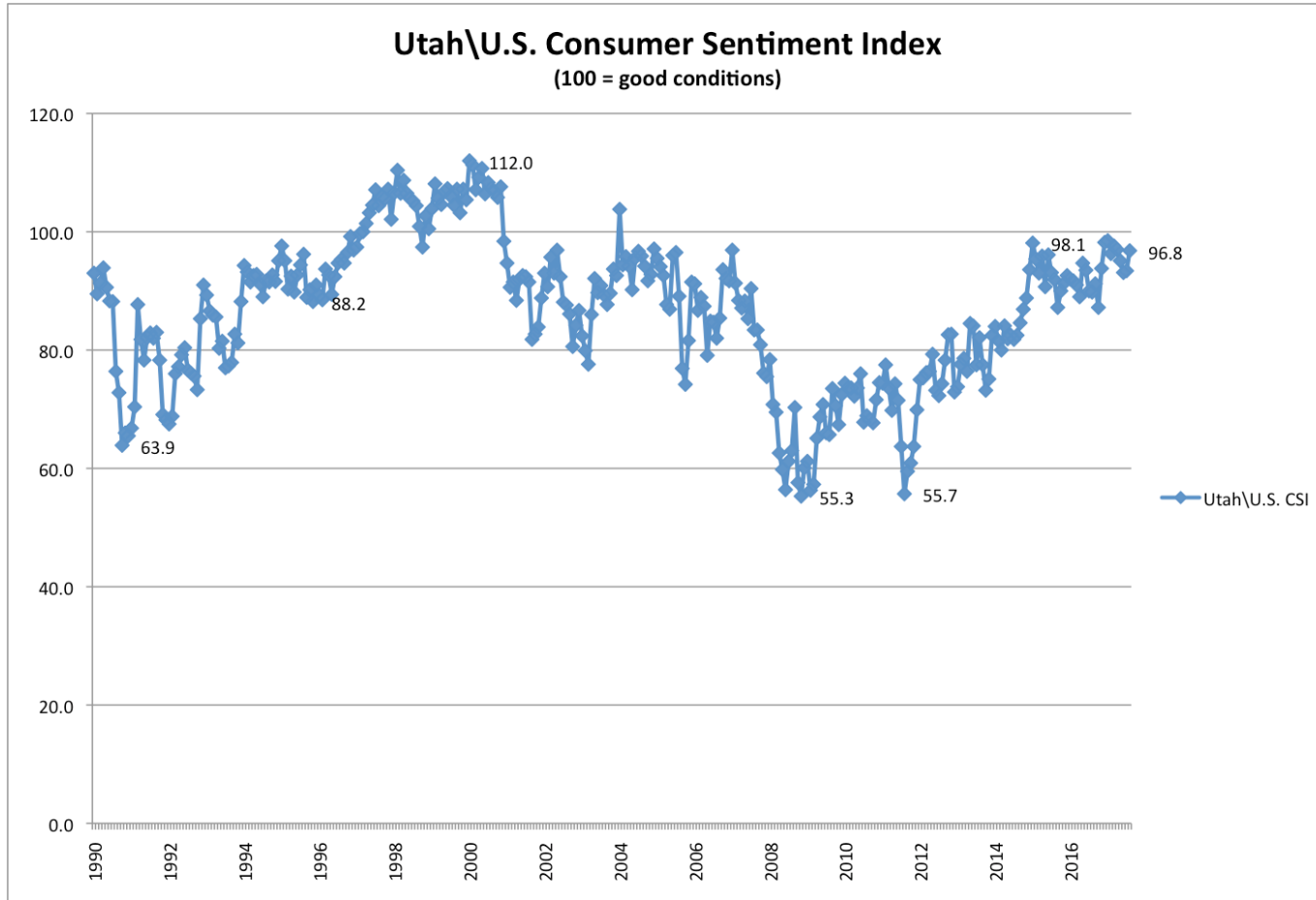


# 2017 U.S. Expected to Improve After Slow Start in 2017





# Consumers are Confident

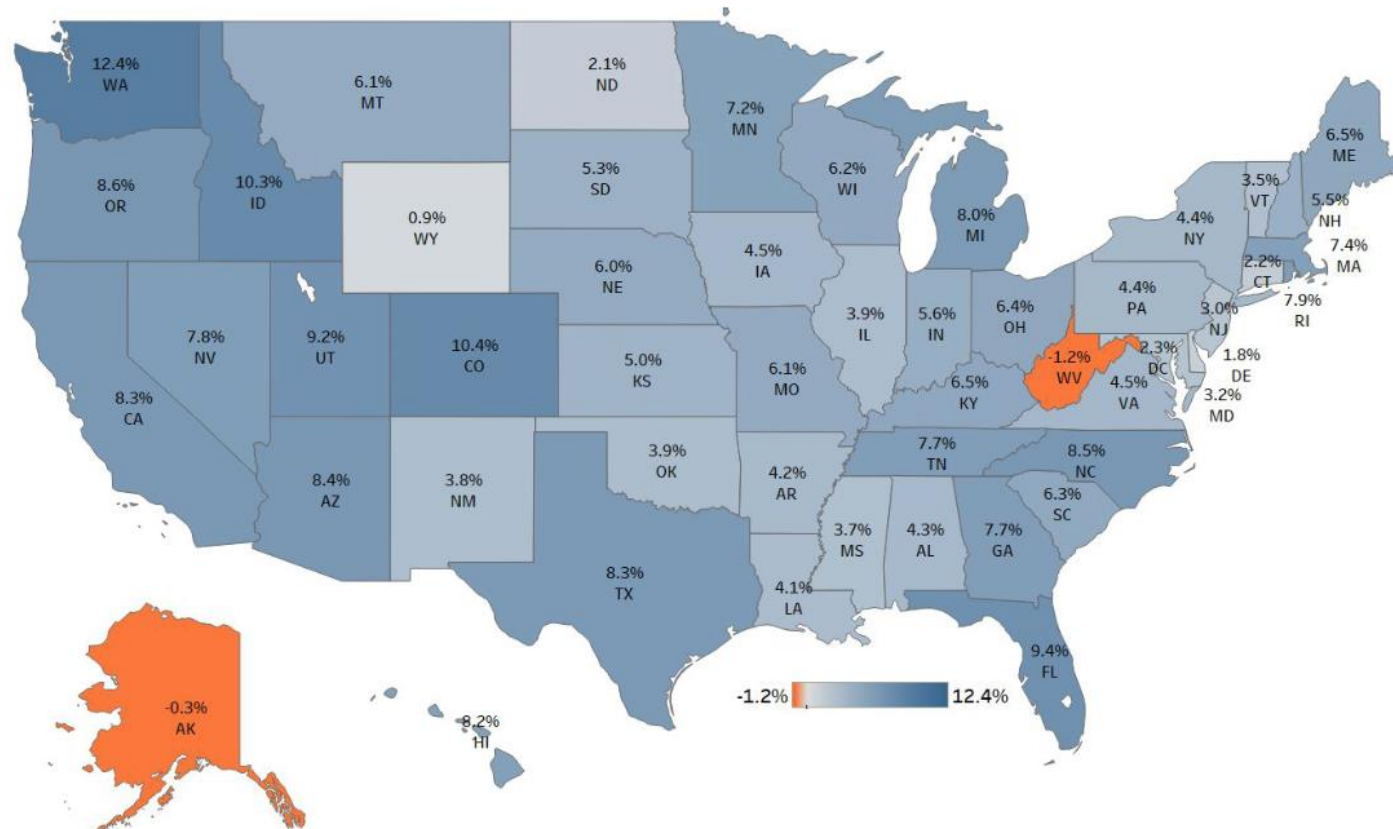




# Consumer Sentiment Boosted by 6.6% Home Price Increases

Four-Quarter Price Change by State: Purchase-Only Index (Seasonally Adjusted)

U.S. Four-Quarter Appreciation = 6.6% (2016Q2-2017Q2)



Source: FHFA

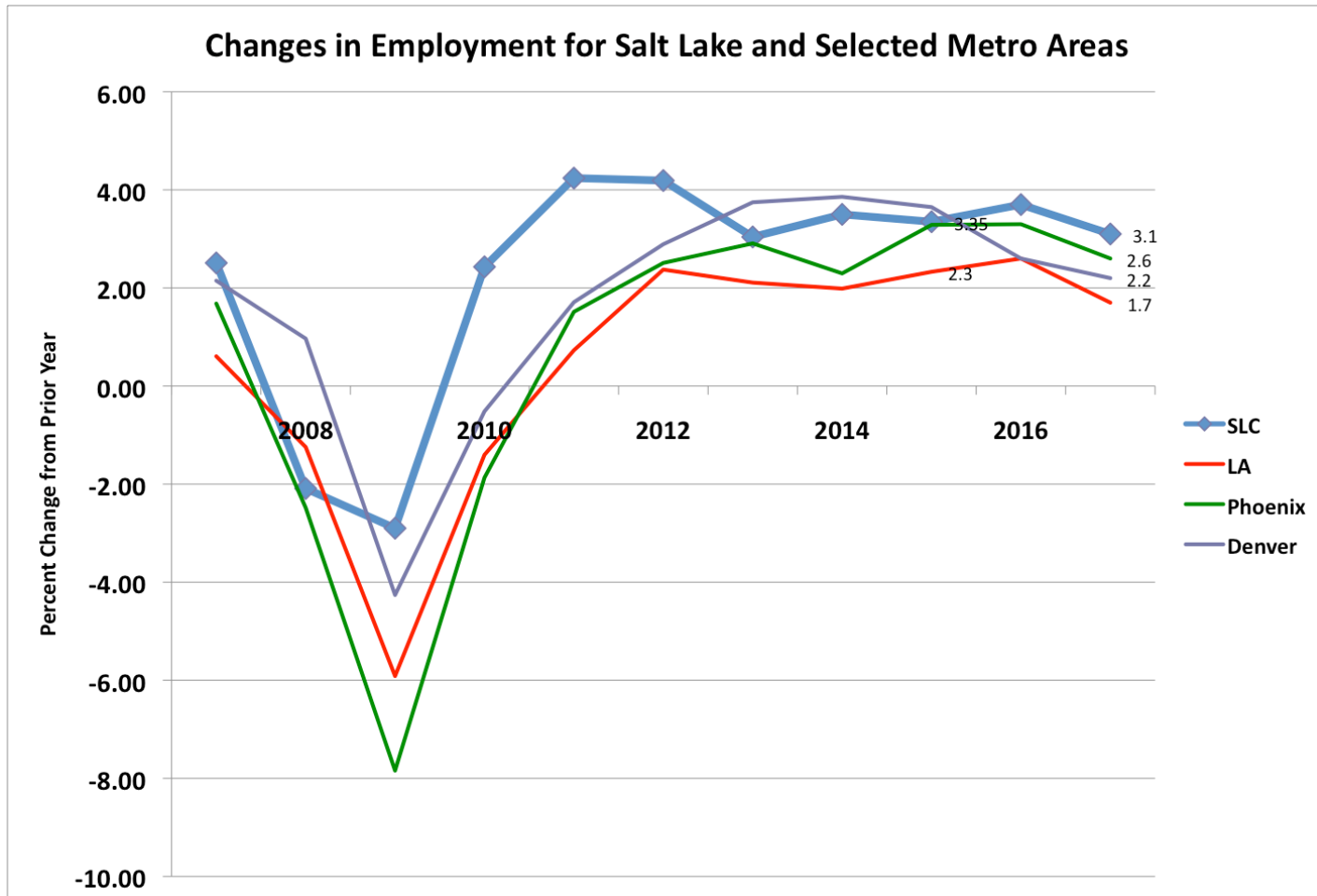


# The County Economy





# Salt Lake Metro Job Growth Leads LA, Phoenix & Denver

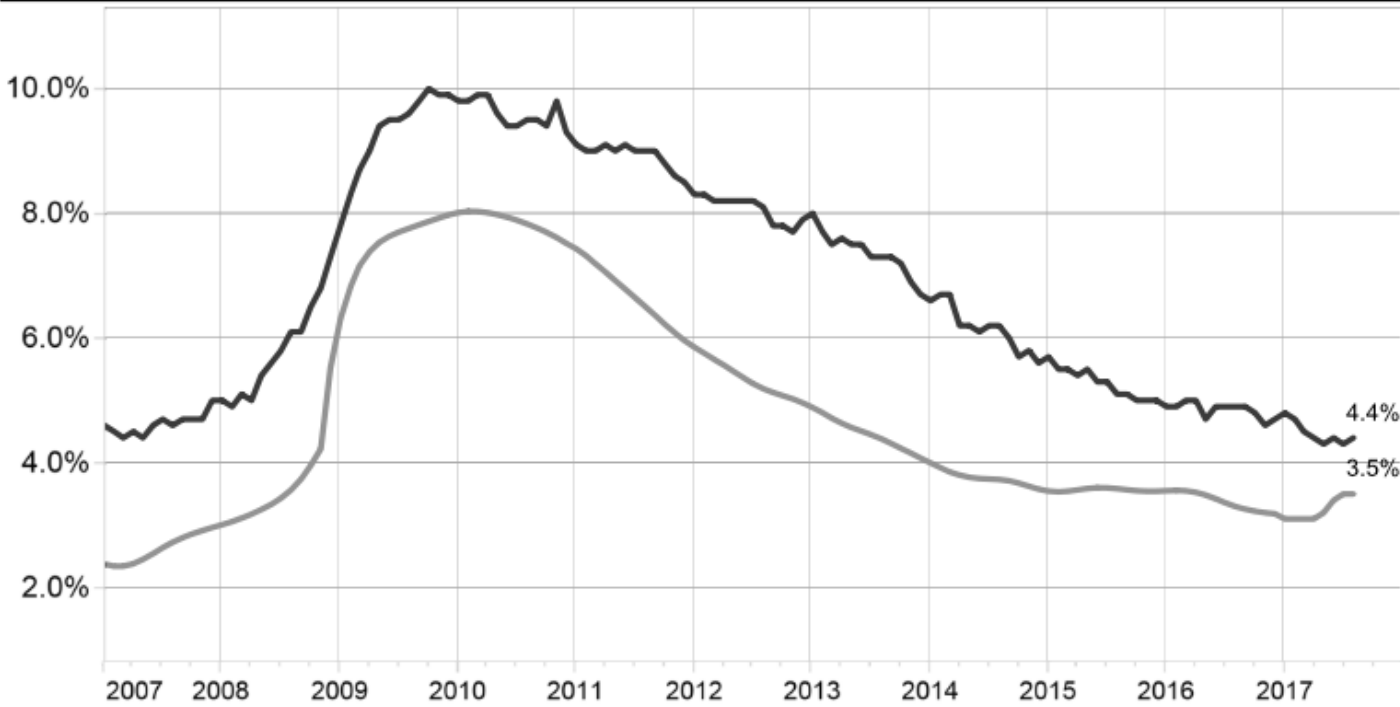






■ Utah  
■ US

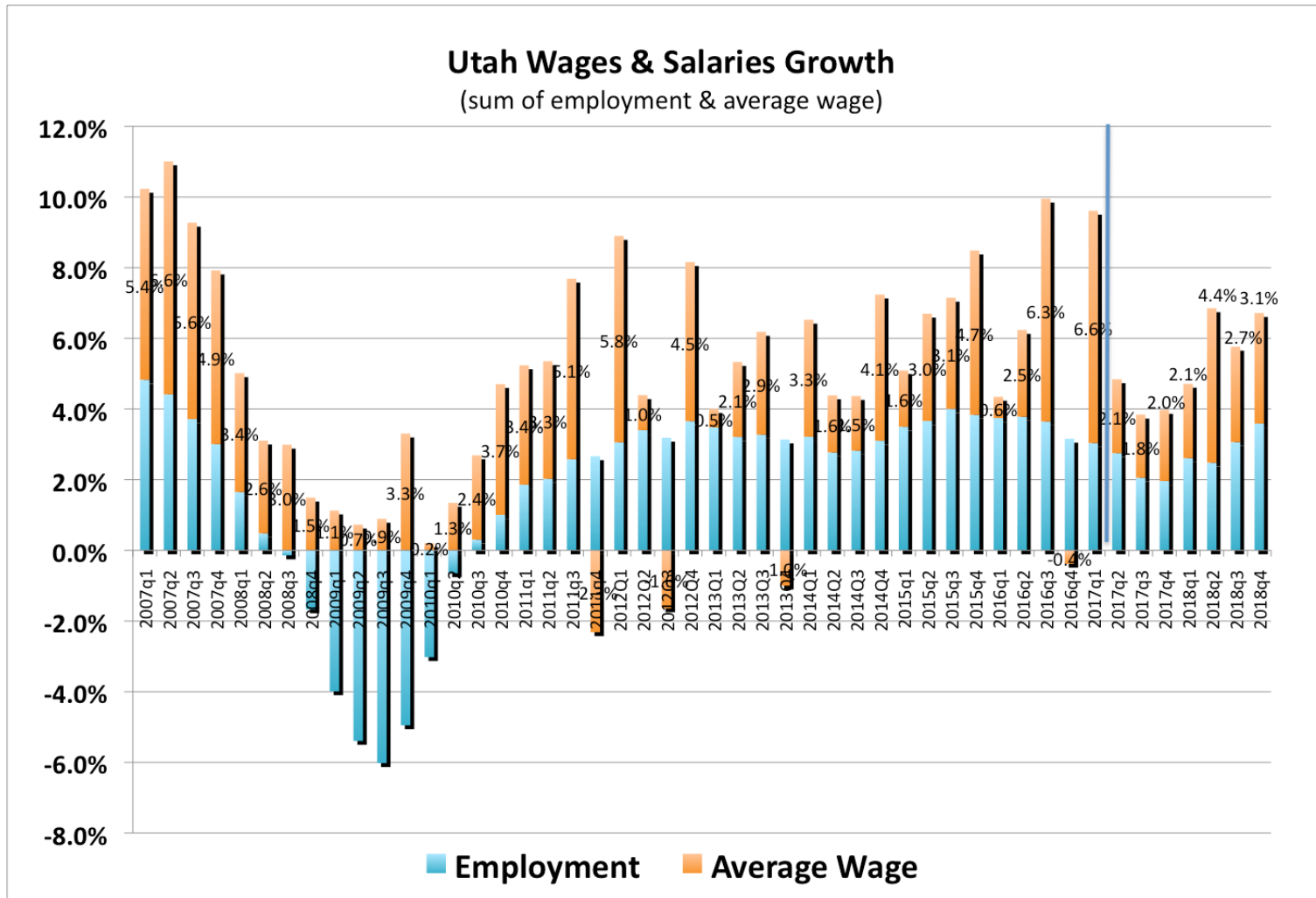
### Seasonally Adjusted Unemployment Rates



Source: U.S. Bureau of Labor Statistics



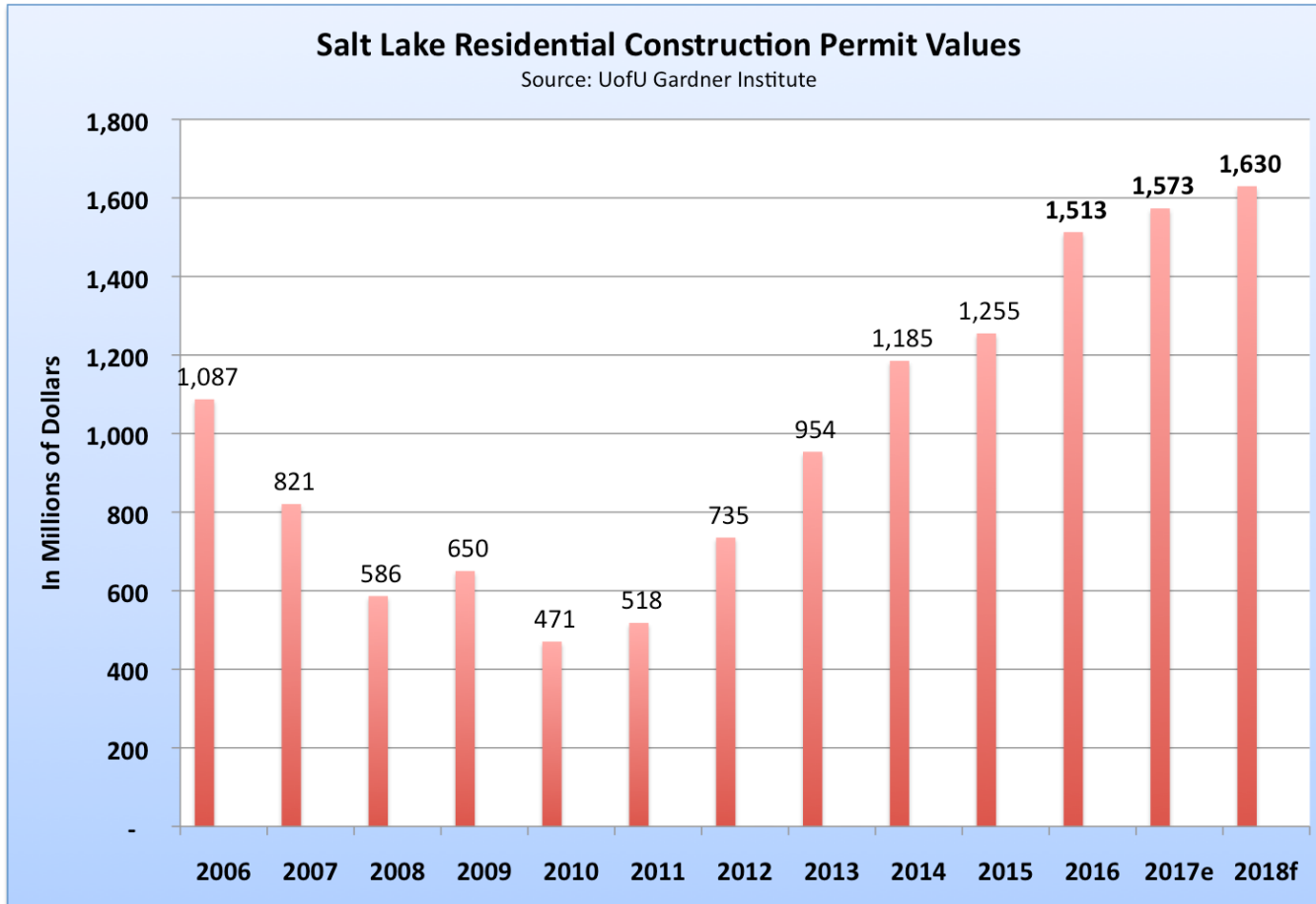
# Utah Wages will be up 6% in both 2017 & 2018





# The County Economy

After a 20% gain last year, Salt Lake County New Home Construction should be up 4% in 2017

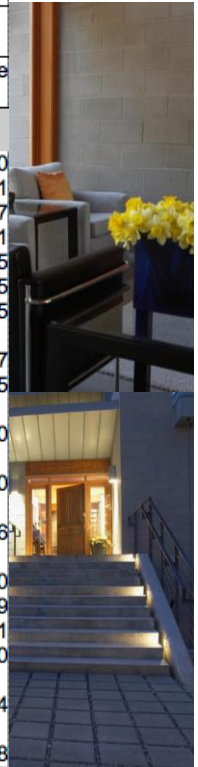




# Salt Lake County Construction

January - August 2017

County/City	New Dwelling		New Residential		New Nonresidential		Additions/Alterations/Repairs Residential		Nonresidential		Total Construction	
	Units	% Change 2016-17	Value (\$000)	% Change 2016-17	Value (\$000)	% Change 2016-17	Value (\$000)	% Change 2016-17	Value (\$000)	% Change 2016-17	Value (\$000)	% Change 2016-17
<b>SALT LAKE COUNTY</b>												
Alta	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bluffdale	127	-66.8	29,479.0	-64.1	5,469.3	-35.3	2,168.5	-5.8	45.0	-78.7	37,161.8	-60.1
Draper	94	623.1	32,321.1	878.3	53,047.9	26490.4	2,229.1	1003.0	5,099.4	91.5	92,697.5	1355.7
Midvale	47	-76.7	8,831.9	-78.0	706.9	-80.1	2,411.2	-30.1	9,928.6	-48.7	21,878.6	-67.1
Murray	281	42.6	54,931.8	57.8	56,367.0	-28.4	4,162.0	185.5	15,858.6	20.8	131,319.4	2.5
Riverton	337	151.5	76,512.0	127.6	24,370.8	314.2	1,761.3	45.0	928.1	97.3	103,572.2	151.5
Salt Lake City	498	-61.4	81,381.4	-49.1	385,536.1	87.1	26,599.7	1.7	215,646.1	80.2	709,163.3	38.5
Sandy	381	-11.0	51,326.8	34.2	4,893.5	-92.0	2,910.1	38.4	11,343.1	-3.3	70,473.5	-37.7
South Jordan	765	27.3	171,238.0	10.9	108,207.0	13.2	3,648.0	-57.3	14,321.0	-61.6	297,414.0	0.5
South Salt Lake	0	-100.0	0.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-100.0
West Jordan	644	156.6	125,184.8	82.4	20,726.8	-34.1	1,933.8	-56.4	17,848.8	-44.9	165,694.2	21.0
West Valley City	159	43.2	20,078.1	40.3	33,981.6	2.0	1,494.3	-71.7	36,089.9	146.0	91,643.9	35.6
Taylorsville	10	-64.3	3,318.7	-48.9	2,315.4	-90.0	2,218.3	-56.4	1,616.4	-46.7	9,468.8	-75.0
Herriman	1,111	44.9	210,439.7	42.3	61,369.2	221.2	2,573.9	-0.2	1,073.0	120.3	275,455.8	61.9
Holladay	4	-76.5	1,417.9	-74.7	657.1	-22.0	2,259.0	-25.5	935.2	208.2	5,269.2	-46.1
Cottonwood Heights	1	0.0	975.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	975.0	0.0
Other Salt Lake Co	6	-93.4	1,802.6	-91.2	1,250.0	-85.7	1,425.2	-73.9	147.8	-98.9	4,625.6	-90.4
<b>Total</b>	<b>4,465</b>	<b>-1.0</b>	<b>869,238.8</b>	<b>7.3</b>	<b>758,898.6</b>	<b>31.7</b>	<b>57,794.4</b>	<b>-19.0</b>	<b>330,881.0</b>	<b>23.0</b>	<b>2,016,812.8</b>	<b>16.8</b>
<b>STATE TOTAL</b>												
	15,399	23.3	3,165,143.6	21.3	1,616,853.8	-8.5	236,590.7	6.3	581,205.3	16.5	5,599,793.4	9.8



Source: U of U, Gardner Institute



# Car & Truck Sales – Still Growing Strong in 2017



Salt Lake County		% Chg.
2013	\$ 2.48 B	14.8%
2014	\$ 2.63	5.6%
2015	\$ 2.83	7.1%
2016	\$ 3.01	6.3%
2017 1 <sup>st</sup> half	\$ 1.58	8.6%



# Salt Lake County Taxable Sales

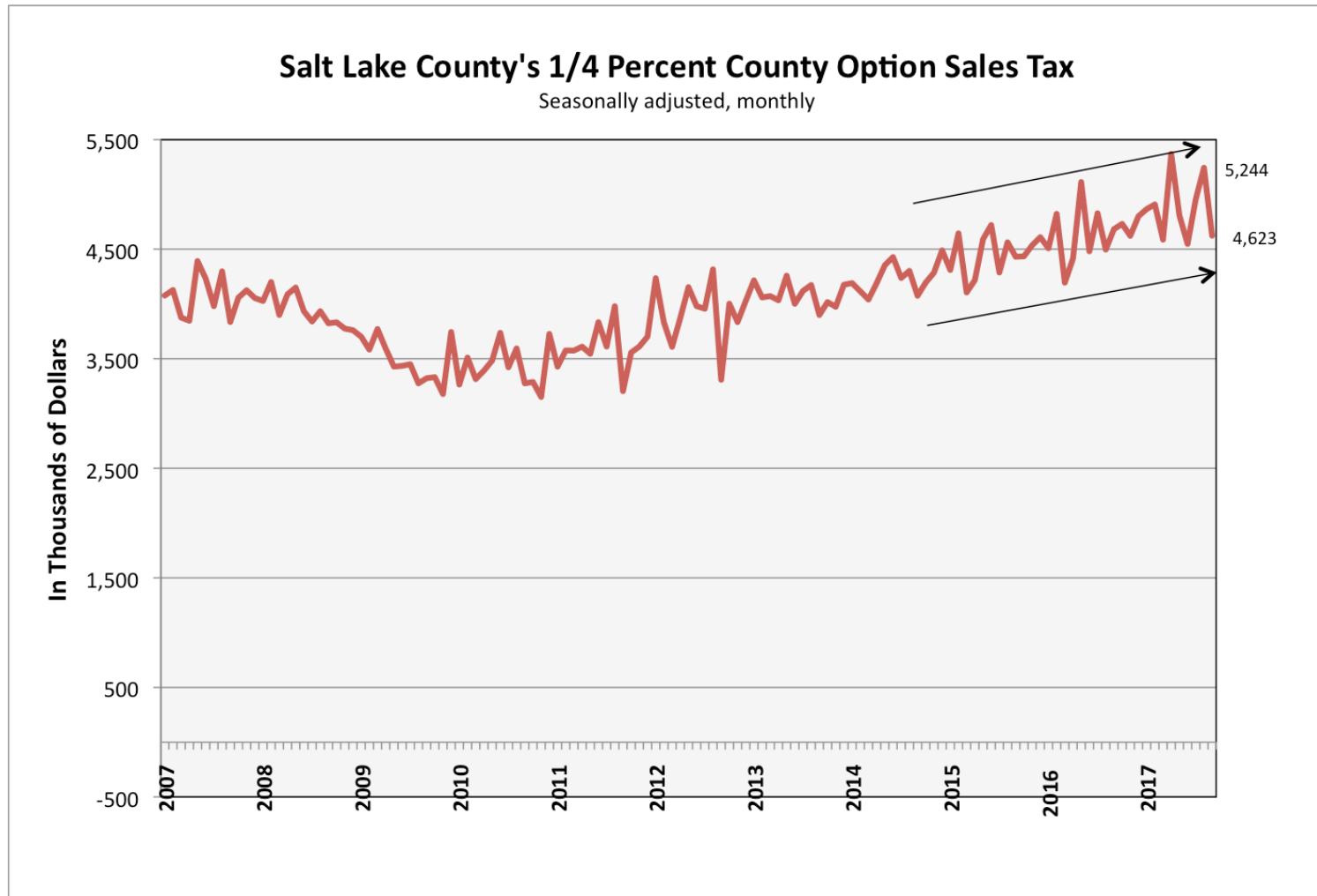
## 2<sup>nd</sup> Quarter 2017

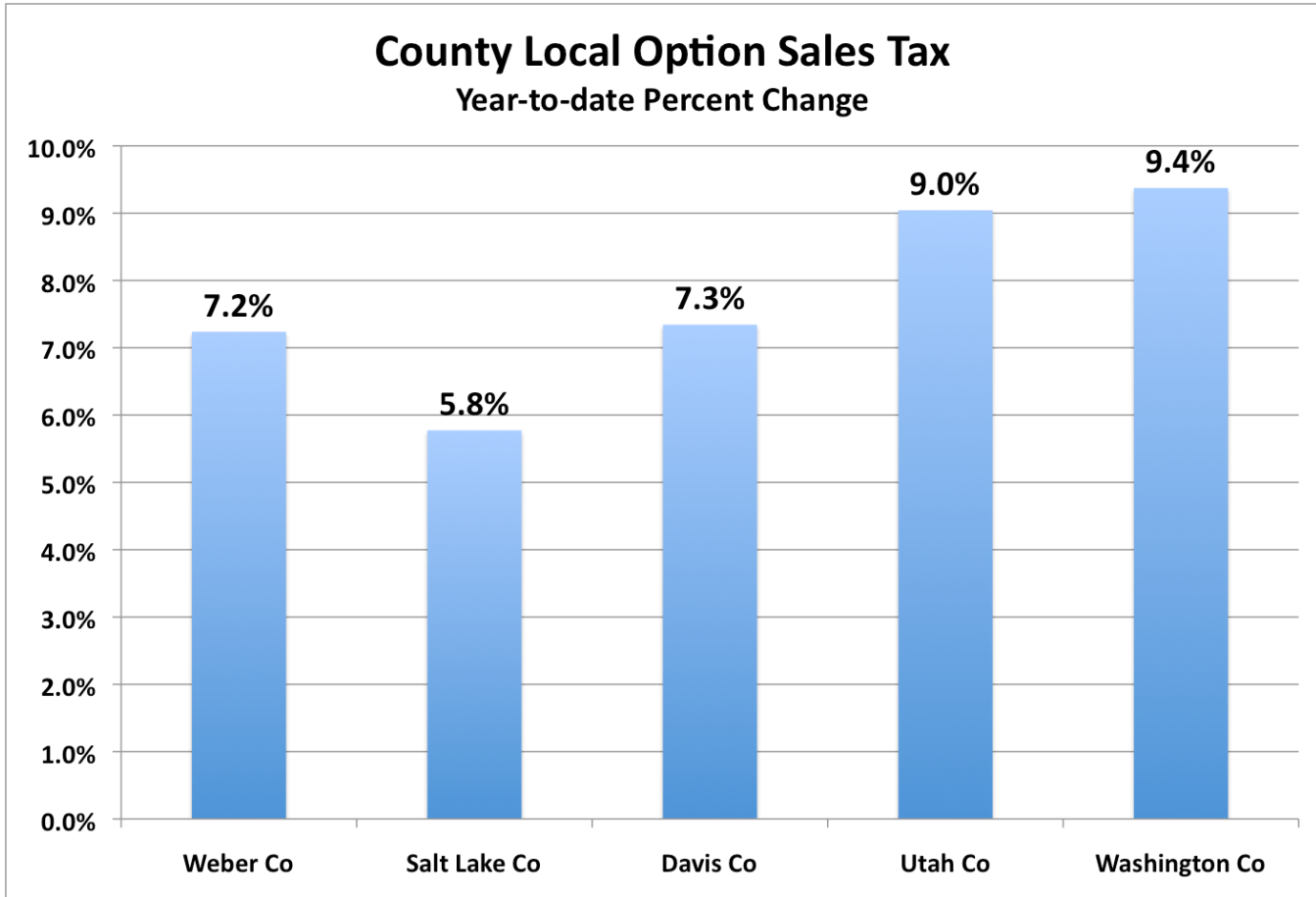
(these nine sectors account for 59% of all taxable sales)	Sales in Million \$	% Change From Prior Year
Retail – Motor Vehicle	\$ 833	8.4 %
Retail – General Merchandise	589	3.0
Retail – Groceries	483	3.9
Retail – Building	394	11.3
Non-store Retailers	130	98.2
Services – Restaurants	563	5.7
Services – Accommodations	143	15.9
Bus. Inv. - Manufacturing	267	0.2
Bus. Inv. - Wholesale Durables	598	4.8
<b>Total</b>	<b>\$ 6,610</b>	<b>5.2 %</b>

Source: Utah State Tax Commission



# Seasonally Adjusted Sales Tax Still Trending Up





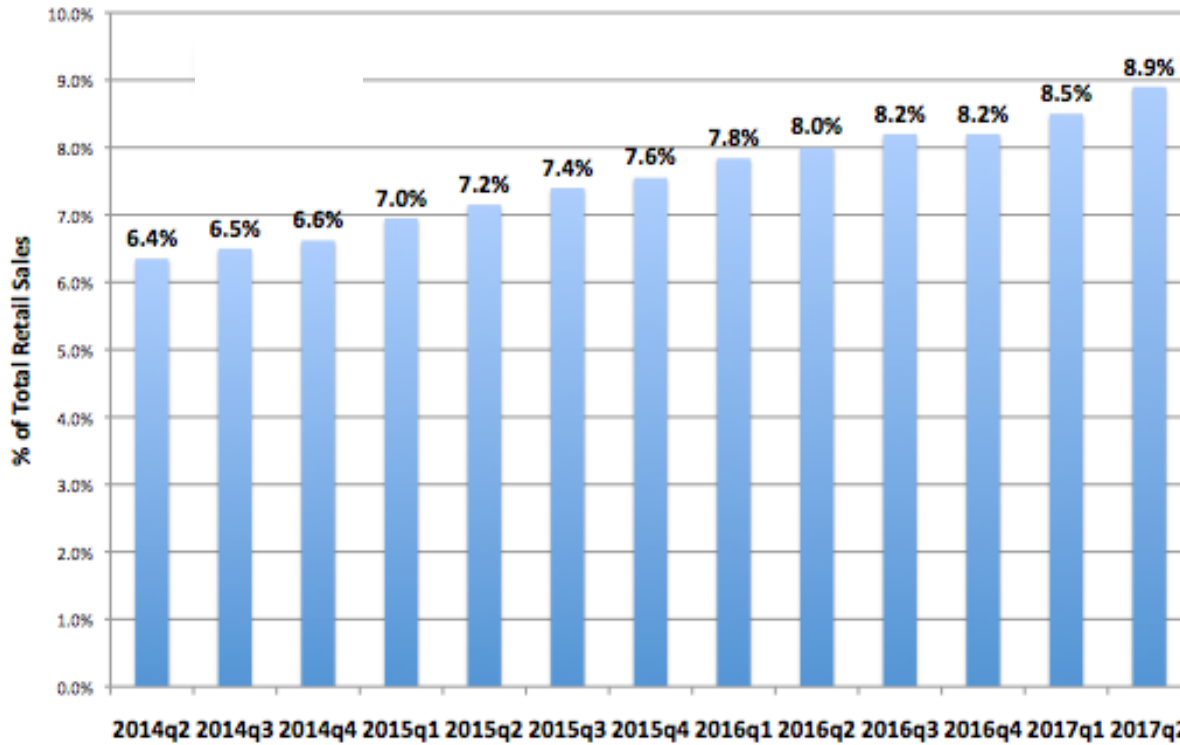
SL County Strong, but lower than Davis, Utah and Washington counties







**E-Commerce Sales as a % of Retail Sales**



“Internet Sales are Eating Brick & Mortar Stores’ Lunch”

IHS Economics

Source: U.S. Bureau of the Census, Retail Trade Survey

# October 2017 Forecast

## Salt Lake County Taxable Sales Key Forecast Drivers

Key Economic Drivers	2016	Oct 2016	Oct 2017	Oct 2017
	Actual	Forecast	Estimate	Estimate
Real GDP (Gross Domestic Product \$B)	\$ 16,716.2 1.5%	\$ 17,059.4 2.1%	\$ 17,070.3 2.2%	\$ 17,547.5 2.8%
Consumer Price Index	1.3%	2.5%	2.0% <	1.6%
<b>Nominal GDP (\$B)</b>	18,624.5 <b>3.3%</b>	19,440 <b>4.6%</b>	19,354 <b>3.9%</b>	20,314 <b>4.5%</b>
Utah Employment	3.6%	2.3%	3.0%	3.3%
Utah Average Wages	2.2%	2.0%	3.3% >	2.8%
<b>Utah Wages (Payroll)</b>	<b>5.8%</b>	<b>4.3%</b>	<b>6.3%</b> >	<b>6.1%</b>
SL County Residential Construction Values	<b>20.5%</b> ^	<b>-5.4%</b>	4.0% (7 mos. ytd)	3.6%
U.S. Equipment & Software Purchases	<b>-2.9%</b>	3.4%	3.6%	5.2%
U.S. Savings Rate	4.9%	5.7%	3.6%	4.2%
U.S. Consumer Sentiment Index	91.8	93.2	96.5	98.4
<b>Salt Lake County Taxable Sales</b>	<b>4.6%</b>	<b>4.0%</b>	<b>5.2%</b>	<b>5.8%</b>
<b>Salt Lake County 1/4% Sales Tax</b>	<b>4.3%</b>		<b>5.8%</b> (7 mos. ytd)	



^ higher than last June forecast  
< less than June forecast



# Property Tax Revenue



# Property Tax Value - New Growth

## Countywide Tax Funds

- New growth for rate-setting based on change in value, not including reappraisal (market value appreciation)
- Starting in 2017:
  - Personal Property no longer in the new growth formula
  - Centrally Assessed must exceed a benchmark to add to new growth (set in 2016)
  - Project Area added to new growth (areas no longer subject to CDRA capture)
- RDA/CDRA Offsets
  - Tax increment financing (TIF) captures new growth in value and diverts it from taxing entities
  - New projects come online every year
  - Continues to be a significant offset to SLCo new growth



# Property Tax Revenue Projection

## Countywide Tax Funds

Fund (\$M)	2018 Budget	2017 Budget	<i>New Growth</i>	
General	142.5	139.3	3.1	2.25%
Flood Control	5.2	5.1	0.1	2.25%
Health	11.7	11.5	0.3	2.25%
Governmental Immunity	1.7	1.7	0.04	2.24%
Capital Improvements	5.8	5.7	0.1	2.26%
Planetarium	3.6	3.5	0.1	2.25%
<b>Total Countywide Tax Funds</b>	<b>170.5</b>	<b>166.8</b>	<b>3.8</b>	<b>2.25%</b>
Bond Debt Service	29.0	29.1	(0.1)	(0.34%)



# Property Tax Revenue Projections

## Other Funds

Fund (\$M)	2018 Budget	2017 Budget	<i>New Growth</i>	
Library	38.5	37.6	0.8	2.25%
State Tax Admin	23.0	22.5	0.5	2.25%
Gov Immunity Unincorp	0.4	0.4	0.01	2.17%
<b>Total Other Funds</b>	<b>61.9</b>	<b>60.5</b>	<b>1.4</b>	<b>2.25%</b>



# Property Tax Revenue Projections

## Judgment Levy Funds

Fund (\$M)	2018 Budget	2017 Budget	<i>Change</i>	
Countywide Judgment Levy	-	1.6	(1.6)	(100%)
Library Judgment Levy	-	0.4	(0.4)	(100%)
State Tax Admin Judgment Levy	-	0.2	(0.17)	(100%)
<b>Total Judgment Levy Funds</b>	<b>-</b>	<b>2.2</b>	<b>(2.2)</b>	<b>(100%)</b>



# Sales Tax Revenue



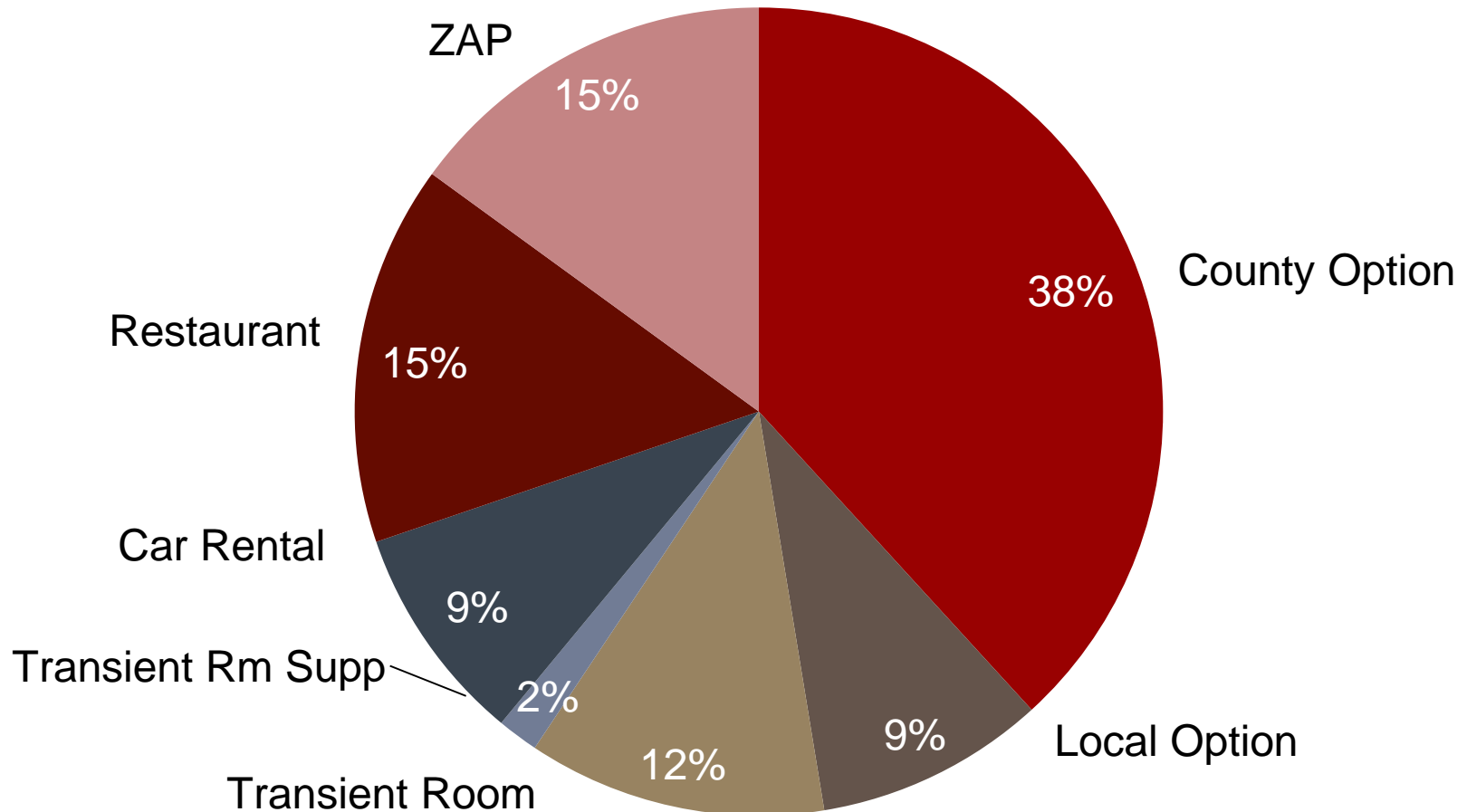


# 2018 Sales Tax Revenue

- Projected growth for 2018 based on local and national economic indicators, including
  - Wage and employment growth
  - Consumer Confidence
  - Vehicle sales and other leading indicators
- Projections vetted with Revenue Committee
- Local Option Sales Tax
  - Millcreek excluded
  - Still working on breaking out the Metro Townships from the unincorporated county
  - Currently forecasted in whole
  - The 2018 budget, at this point, contemplates converting sales tax revenues to contract revenues. The revenues will be adjusted to match contracted services.
  - Revenue and expenditure budgets in this area will require flexibility and constant monitoring

# Sales and Use Tax 2018 Projected Revenues









**\$164M Total**



\* Excludes state transportation pass-through taxes.



# 2018 Sales Tax Projection

Sales Tax (\$M)		2018 Budget	2017 Budget	Change		Trend (‘07-‘18)
<b>County Option</b>	General Fund	62.7	59.2	3.5	5.9%	
<b>Transient Room</b>	Visitor Promo Fund	19.6	18.6	1.0	5.4%	
<b>Transient Room Supp.</b>	TRCC Fund	2.7	2.6	0.1	3.8%	
<b>Car Rental</b>	TRCC Fund	14.4	14.1	0.3	2.1%	
<b>Restaurant</b>	TRCC Fund	25.0	23.7	1.3	5.5%	
<b>ZAP</b>	ZAP & General F.	24.6	23.4	1.2	5.1%	
<b>Local Option*</b>	Unincorp SLCo*	15.1	14.9	0.2	1.7%	
<b>TOTAL</b>		<b>164.1</b>	<b>156.5</b>	<b>7.6</b>	<b>4.9%</b>	

\* Local Option sales tax will be restated to exclude Metro Townships once the breakout can be determined. The amount is currently forecasted in whole to project the growth percentage for 2018 but the Metro Township portion will be excluded before the 2018 budget is proposed.

\*\* Projection for 2018 Budget completed in September 2017 with actuals data available through July 2017.

# County Option Sales Tax

(0.25% tax to General Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
<b>Actual</b>			
<b>2014</b>	\$51,863	\$2,552	5.2%
<b>2015</b>	\$54,253	\$2,390	4.6%
<b>2016</b>	\$56,560	\$2,308	4.3%
<b>YTD Jul 2017</b>	\$33,554	\$1,832	5.8%
<b>Projected</b>			
<b>2017 Jun Adj Budget</b>	\$59,200	\$2,640	4.7%
<b>2018 Budget</b>	\$62,700	\$3,500	5.9%



# Transient Room Tax

(4.25% tax to Visitor Promotion Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
<b>Actual</b>			
<b>2014</b>	\$14,701	\$1,265	9.4%
<b>2015</b>	\$16,607	\$1,906	13.0%
<b>2016</b>	\$17,305	\$699	4.2%
<b>YTD Jul 2017</b>	\$11,930	\$1,855	18.4%
<b>Projected</b>			
<b>2017 Jun Adj Budget</b>	\$18,600	\$1,295	7.5%
<b>2018 Budget</b>	\$19,600	\$1,000	5.4%

# Transient Room Tax - Supplemental

(0.5% tax to TRCC Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
<b>Actual</b>			
<b>2014</b>	\$2,035	\$175	9.4%
<b>2015</b>	\$2,299	\$264	13.0%
<b>2016</b>	\$2,395	\$97	4.2%
<b>YTD Jul 2017</b>	\$1,651	\$257	18.4%
<b>Projected</b>			
<b>2017 Jun Adj Budget</b>	\$2,600	\$205	8.5%
<b>2018 Budget</b>	\$2,700	\$100	3.8%



# Car Rental Tax

(3% & 4% tax to TRCC Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
<b>Actual</b>			
<b>2014</b>	\$12,143	\$1,533	14.4%
<b>2015</b>	\$12,868	\$725	6.0%
<b>2016</b>	\$13,530	\$662	5.1%
<b>YTD Jul 2017</b>	\$8,778	\$682	8.4%
<b>Projected</b>			
<b>2017 Jun Adj Budget</b>	\$14,100	\$570	4.2%
<b>2018 Budget</b>	\$14,400	\$300	2.1%



# Restaurant Tax

(1% tax to TRCC Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
<b>Actual</b>			
<b>2014</b>	\$19,940	\$1,365	7.3%
<b>2015</b>	\$21,664	\$1,723	8.6%
<b>2016</b>	\$22,727	\$1,063	4.9%
<b>YTD Jul 2017</b>	\$13,654	\$658	5.1%
<b>Projected</b>			
<b>2017 Jun Adj Budget</b>	\$23,700	\$973	4.3%
<b>2018 Budget</b>	\$25,000	\$1,300	5.5%





# Zoo, Arts, & Parks Tax

(0.1% tax to ZAP Fund and General Fund\*)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
<b>Actual</b>			
<b>2014</b>	\$20,236	\$933	4.8%
<b>2015</b>	\$21,359	\$1,123	5.6%
<b>2016</b>	\$22,281	\$922	4.3%
<b>YTD Jul 2017</b>	\$13,137	\$638	5.1%
<b>Projected</b>			
<b>2017 Jun Adj Budget</b>	\$23,400	\$1,119	5.0%
<b>2018 Budget</b>	\$24,600	\$1,200	5.1%

\* Approximately 70.5% to ZAP fund and 29.5% to General Fund for Recreation



# Local Option Sales Tax

(1% tax to Unincorp Municipal Services Fund\*)

(\$000's)

		<u>Revenues</u>	<u>Change Y/Y</u>	
<b>Actual</b>				
<b>2014</b>	} Not comparable to 2017 and later due to different tax base (Millcreek & Metro Townships)	\$22,743	\$906	4.1%
<b>2015</b>		\$22,596	(\$146)	(0.6%)
<b>2016</b>		\$23,543	\$946	4.2%
<b>YTD Jul 2017</b>		\$9,639	(\$3,696)	(28%)
<b>Projected (Before Excluding Metro Townships)</b>				
<b>2017 Estimated Base*</b>		\$14,851	(\$8,692)	(37%)
<b>2018 Budget*</b>		\$15,100	\$249	1.7%

\* Local Option Sales Tax is currently forecasted with Metro Townships included and Millcreek excluded. Work is still being done to split out the Metro Townships and revise the forecast to include only unincorporated Salt Lake County. The 2018 budget, at this point, contemplates converting sales tax revenues to contract revenues. The revenues will be adjusted to match contracted services. Revenue and expenditure budgets in this area will require flexibility and constant monitoring



# Other Revenues

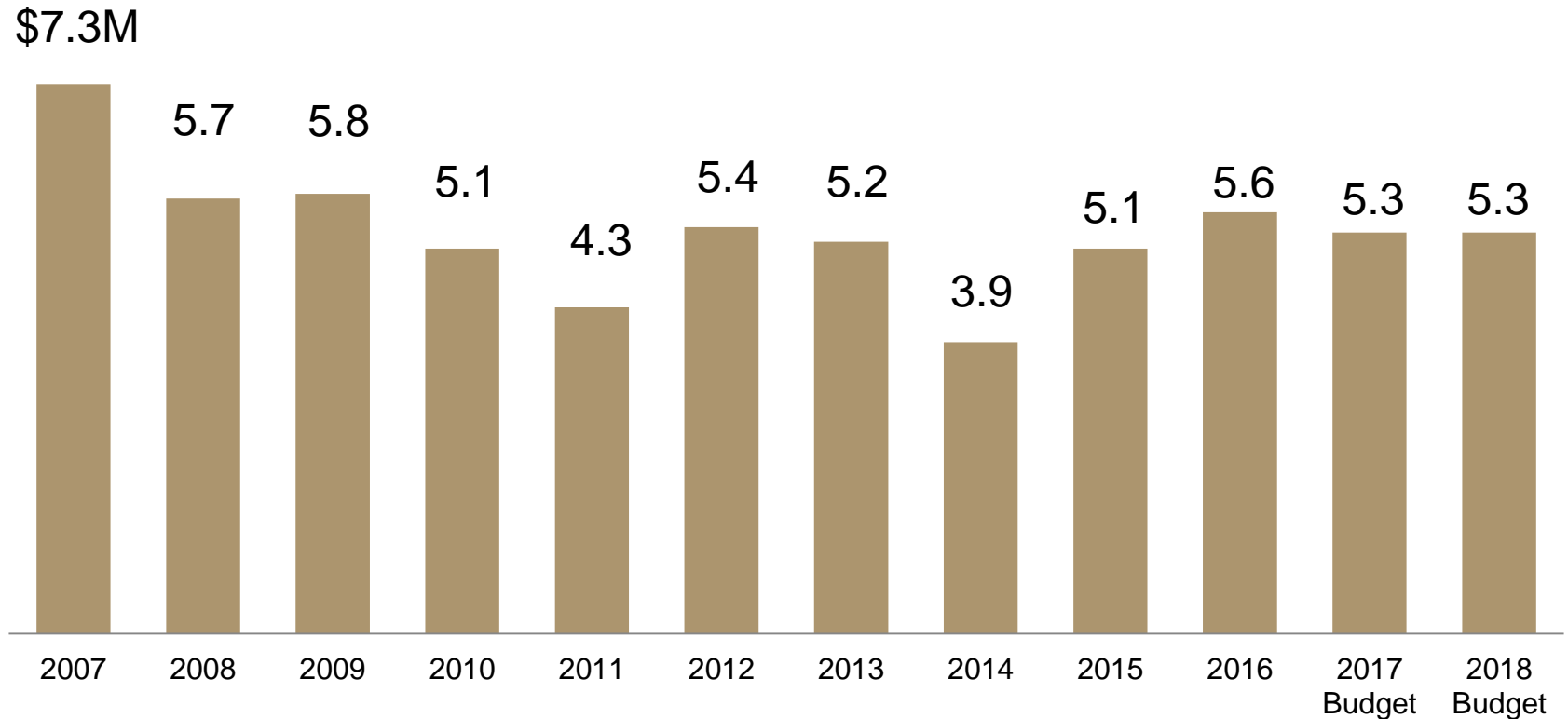


# Motor Vehicle Fee-in-lieu of Property Tax

Fund (\$M)	2018 Budget	2017 Budget	<i>Change</i>	
<b>General</b>	8.97	8.44	0.54	6.4%
<b>Flood Control</b>	0.33	0.37	(0.04)	(10.7%)
<b>Health</b>	0.74	0.70	0.04	5.8%
<b>Governmental Immunity</b>	0.11	0.10	0.01	6.7%
<b>State Tax Admin</b>	1.36	1.30	0.06	4.3%
<b>Capital Improvements</b>	0.36	0.34	0.02	5.9%
<b>Clark Planetarium</b>	0.23	0.20	0.03	12.6%
<b>Gov Immunity Unincorp</b>	-	0.03	(0.03)	(100%)
<b>Library</b>	2.62	2.47	0.15	5.9%
<b>Bond Debt Service</b>	1.83	1.69	0.14	8.2%
<b>TOTAL</b>	<b>16.54</b>	<b>15.64</b>	<b>0.90</b>	<b>5.8%</b>



# Recorder Revenue Trend





# 2018 Revenue Growth

## Taxes and Fee In Lieu Revenue

### General Fund & Related Funds

Fund (\$M)	Property Tax	Sales Tax	Motor Veh Fee In Lieu	Total New Growth
General	3.13	3.85	0.54	<b>7.53</b>
Flood Control	0.12		(0.04)	<b>0.08</b>
Health	0.26		0.04	<b>0.30</b>
Planetarium	0.08		0.03	<b>0.10</b>
Capital Improvements	0.13		0.02	<b>0.15</b>
State Tax Admin	0.01		0.06	<b>0.06</b>
TRCC		1.70		<b>1.70</b>
ZAP		0.85		<b>0.85</b>
<b>Total</b>	<b>3.72</b>	<b>6.40</b>	<b>0.64</b>	<b>10.76</b>



# 2018 New Growth Taxes and Fee In Lieu Revenue All Funds (Except Debt Service)

Fund (\$M)	Property Tax	Sales Tax	Motor Veh Fee In Lieu	Total New Growth
General	3.13	3.85	0.54	<b>7.53</b>
Flood Control	0.12		(0.04)	<b>0.08</b>
Health	0.26		0.04	<b>0.30</b>
Planetarium	0.08		0.03	<b>0.10</b>
Capital Improvements	0.13		0.02	<b>0.15</b>
State Tax Admin	0.01		0.06	<b>0.06</b>
TRCC		1.70		<b>1.70</b>
ZAP		0.85		<b>0.85</b>
Governmental Immunity	0.04		0.01	<b>0.04</b>
Gov Immunity Unincorp	0.01		(0.03)	<b>(0.02)</b>
Library	0.85		0.15	<b>0.99</b>
Municipal Services*		TBD		-
Visitor Promotion		1.00		<b>1.00</b>
<b>Total</b>	<b>4.62</b>	<b>7.40</b>	<b>0.76</b>	<b>12.78</b>



# Appendix





# Definition of General Fund and Related Funds

- The General Fund’s “related” funds are
  - Those that depend on the GF for financial support
  - Receive current year funding from the GF in the form of fund transfers
  - Contribute to the General Fund such as the TRCC fund
  - Includes
    - All County-wide “Tax” funds (except the Bond Debt Service Fund)
    - Grant fund
    - TRCC fund
    - Open Space fund
    - ZAP fund - administration portion